

LOCAL GOVERNMENT INSURANCE TRUST BYLAWS

ARTICLE I

DEFINITIONS

Section 1. Words and Phrases Defined. All capitalized words and phrases used in these Bylaws shall have the meanings set forth in the Seventh Amended and Restated Local Government Insurance Trust Agreement dated as of January 1, 2001 (the "LGIT Agreement") unless otherwise defined in these Bylaws.

Section 2. Additional Definitions. The following words have the meanings indicated:

"Accountant" means a certified public accountant (or individual having experience equivalent to a certified public accountant) or firm of certified public accountants engaged by the Trustees to perform certain accounting procedures for the Trust.

"Auditor" means a firm of independent certified public accountants engaged by the Trustees to prepare audited financial statements of the various operations of the Trust.

"Banking Institution" means a financial institution engaged by the Trustees to hold the moneys of the Trust in accordance with guidelines established by the Finance/Audit Committee.

"Benefits Consultant" means one or more consultants employed by the Trustees to be responsible for underwriting and rate-setting matters, plan administration, cost containment, managed care, and such other duties as may be specified by contract.

"Benefits Consulting Contract" means any contract for consulting services between the Trustees and the Benefits Consultant.

"Broker" means any duly licensed insurance broker engaged by the Trustees to secure insurance or reinsurance on behalf of the Trust.

"Consulting Actuary" means a nationally recognized actuarial consulting firm, with at least two employees who are both Fellows of the Casualty Actuarial Society and Members of the American Academy of Actuaries, engaged by the Trustees to perform certain actuarial services for the Trust.

"Consulting Underwriter" means an individual or firm, experienced in the development or operation of municipal risk pools, engaged by the Trustees to advise the Trust on underwriting, rate setting and risk management matters.

"Executive Director" means an individual employed by the Trustees to manage the day-to-day operations of the Trust.

"Financial Advisor" means a nationally recognized investment banking or financial advisory firm, experienced in the financial affairs of municipal risk pools, engaged by the Trustees to advise the Trust on capitalization, investment policy and other financial matters.

ARTICLE II

NAME, PRINCIPAL OFFICE AND FISCAL YEAR

Section 1. Name. The name of this Trust is the Local Government Insurance Trust.

Section 2. Principal Office. The principal office of the Trust shall be 7172 Columbia Gateway Drive, Suite E, Columbia, Maryland 21046.

Section 3. Fiscal Year of the Trust. The fiscal year of the Trust shall run from July 1 of each calendar year to June 30 of the succeeding calendar year.

ARTICLE III

ELIGIBILITY OF MEMBERS

Section 1. Local Governments. Membership in the Trust shall be limited to (i) Local Governments (as that term is defined in the LGIT Agreement) which are members of MACo or MML, (ii) MACo or MML, or (iii) the Trust. The Trustees shall determine whether a prospective Member is a Local Government and their decision shall be final.

Section 2. Criteria. Members shall satisfy the underwriting standards and other criteria approved by the Board of Trustees for the Pool or Pools in which participation is requested.

ARTICLE IV

APPROVAL OF MEMBERSHIP

Section 1. Application. The Trustees shall approve and revise as necessary the form of Application for membership in the Trust. The Application shall contain information sufficient to enable the Trustees to determine the eligibility of an applicant for participation in the Pools.

Section 2. Application Fee. The Trustees shall establish and re-evaluate the Application fee as necessary. Such fee shall include amounts sufficient to offset start-up costs of the Trust until

such time as start-up costs have been borne equally by all Members. Application fees shall be set in an amount determined at the sole discretion of the Trustees.

Section 3. Effective Date. Upon receipt of an Application and an Application fee, the Trustees shall determine by majority vote of a duly constituted quorum whether such applicant is approved for participation in the Trust. Upon determination of approval of a Member, the Trustees shall establish an Effective Date for each Pool in which the applicant shall participate. An Effective Date need not coincide with the Member's date of entry into the Trust, but no Effective Date may precede the date on which the Member's Fee for that Pool is due.

ARTICLE V

FEES

Section 1. Calculations of Fees. Fees for coverages provided by the Scopes of Coverage shall be established by the Trustees for each Pool in accordance with guidelines recommended by Underwriting Committee (except for the Health Benefits Pool, the underwriting guidelines for which shall be recommended by the Health Benefits Committee).

Section 2. Modification of Fees. Fees may be modified at the end of the Pool Year of each Pool based upon actual exposure data accumulated during the Pool Year of each Pool and determined by audit.

Section 3. Fee Due Date. The Trustees may allow a grace period for payment of a Fee not to exceed thirty (30) days. Any grace period granted hereunder shall be communicated to the Member in writing.

ARTICLE VI

DEFICITS

Section 1. Determination of Deficit. The Trustees, upon recommendation of the Consulting Actuary, may declare a deficit in any Pool for any Pool year. If a deficit is declared, the Trustees shall immediately determine a method for funding such deficit in accordance with the LGIT Agreement and shall send notice of the deficiency to the Members which were members of the deficit Pool during the deficit Pool Year.

Section 2. Assessment. The Trustees may make assessments against all Members which were members of the deficit Pool during the deficit Pool Year for the payment of the deficit. Assessments shall be in an amount and in the manner as determined by the Trustees and pursuant to the LGIT Agreement.

ARTICLE VII

OBLIGATIONS AND RIGHTS OF MEMBERS

Section 1. Risk Management. Each Member shall comply with any plan of risk management, including, but not limited to, the institution of reasonable safety regulations and loss prevention procedures, approved by the Trustees and submitted to each Member by the Executive Director. A Member may appeal in writing any requirements included in such plan and the decision of the Trustees shall be final.

Section 2. Contact Person. Each Member shall submit in writing to the Executive Director the name of a person (who may be an elected official, officer or employee of such Member) who shall serve as the Contact Person for such Member. Neither the Trustees nor any person engaged by the Trustees or employed by the Trust shall be required to contact any other individual except the Contact Person in dealing with the Member and any notice to or agreements with the Contact Person shall be binding on the Member. Each Member may change its Contact Person by written notice to the Executive Director, and such change shall be effective upon receipt of such notice or upon the date specified in such notice.

Section 3. Termination.

(a) Any Member may terminate its membership in any Pool as of the end of the Pool Year for that Pool by giving at least sixty (60) days notice in writing to the Trustees prior to expiration of such Pool Year. Notice of Termination may be rescinded by a Member at any time prior to the end of the Pool Year in which such notice was given. Such rescission shall be in writing and be delivered to the Executive Director by hand or registered mail.

(b) A Health Benefits Pool Member may not terminate its participation in the Health Benefits Pool as of a date earlier than two years following the Effective Date. Membership in the Health Benefits Pool obligates the Health Benefits Pool Member to pay fees for two consecutive Coverage Periods commencing with the Effective Date.

Section 4. Cancellation. The Trustees may cancel the membership of any Member in any Pool in accordance with the LGIT Agreement by an affirmative vote of two-thirds (2/3) of all Trustees at a duly called meeting of the Trustees, or, in addition, by informal vote in the case of non-payment of Fee. Prior to determination of Cancellation, the Trustees shall, except in the case of non-payment of Fee, provide to a Member ten (10) days' written notice by registered mail, return receipt requested, of the meeting at which such Cancellation shall be voted upon. The Member shall be given an opportunity to speak at such meeting prior to any vote, and the Trustees may postpone such vote for a reasonable time in order to give the Member an opportunity to cure that infraction of the LGIT Agreement for which there is a reason to cancel. If such reason for Cancellation is not cured within a reasonable time, the Trustees shall meet and vote on the matter of such Cancellation with no further prior notice to the Member.

If a Member has not paid a Fee on the date on which it is due and payable, including any applicable grace period, the Executive Director shall notify the Member of such delinquency, and, with no other prior notice, the Trustees shall vote either by informal action or at a duly called meeting on the Cancellation of such Member.

ARTICLE VIII

TRUSTEES

Section 1. The Trustees. The property and business of the Trust shall be managed and controlled by a Board of Trustees who shall hold office and exercise such powers as are provided in the LGIT Agreement.

Section 2. Election of Trustees. Trustees selected by the Members shall be elected by means of a mail ballot in the following manner:

(a) Sixty (60) days prior to the beginning of each Fiscal Year, the Board of Trustees shall submit to all Members a slate of candidates to fill each vacancy which will occur on the Board of Trustees for the following term.

(b) In addition to the slate of nominees presented by the Nominating Committee in accordance with Article X, Section 7 hereof, additional nominees shall be included on the ballot by the Trustees upon receipt of a petition signed by at least five (5) Members ninety (90) days prior to the beginning of each Fiscal Year.

(c) Each Member shall have one vote for each vacancy (regardless of the number of Pools in which a Member is a member), which vote shall be cast as determined by the governing body of the Member. Each Member shall submit its vote in writing to the Executive Director fifteen (15) days prior to the beginning of each Fiscal Year. The nominees with the highest number of votes for each vacancy shall be declared elected for each such vacancy.

(d) Only votes received in writing prior to fifteen (15) days before the beginning of each Fiscal Year shall be counted.

(e) The Trustees shall ensure that no Local Government is represented by more than one (1) Trustee on the Board of Trustees.

Section 3. Removal of Trustees. A Trustee shall be removed from office for the following reasons:

(a) The Trustee no longer holds a position as an elected or appointed official or employee with the Member he was selected or elected to represent.

(b) The Trustee or any member of the Trustee's immediate family is employed by or has a financial interest in any private, for-profit firm providing services to the Trust unless two-thirds (2/3) of all Trustees determine that the Trustee shall not be removed.

(c) The Trustee fails to attend three (3) consecutive meetings of the Board of Trustees.

(d) Two-thirds (2/3) of all Trustees determine, for good cause, that the Trustee shall be removed.

Any Trustee removed under this Section 3 shall be notified in writing of such removal, and the decision of the Board of Trustees regarding such removal shall be final.

Section 4. Resignation of Trustees. A Trustee may resign by giving at least thirty (30) days' prior written notice to the Chairman. Such notice shall state the date on which the resignation shall take effect and such resignation shall take effect on that date.

Section 5. Appointment of New Trustees. When a vacancy exists on the Board of Trustees by reason of the removal or resignation of a Trustee or otherwise, the Chairman shall notify the Nominating Committee within fifteen (15) days of such vacancy. The Nominating Committee shall submit its recommendation for a new Trustee to the Chairman within fifteen (15) days of receiving notification from the Chairman, whereupon the Chairman shall immediately call a special meeting of

the Trustees or take informal action to act on the recommendation. A majority vote of a duly constituted quorum of Trustees shall be sufficient for the appointment of a Trustee to fill a vacancy on the Board. Any Trustee so appointed shall serve for the unexpired term of the Trustee whom he is replacing.

Section 6. Reimbursement of Expenses; Per Diem Compensation.

(a) A Trustee shall be entitled to receive reimbursement of any reasonable out-of-pocket expenses incurred on behalf of the Trust in accordance with the approved budget. Any reimbursement in excess of the approved budget shall be approved by the Board of Trustees prior to the expense being incurred. Any reimbursement of expenses made pursuant to this Subsection (a) shall be charged against (i) the General Fund of the Pool or Pools with respect to which the expenses were incurred or (ii) the Operating Fund of the Trust if the expenses are not attributable to any particular Pool or Pools. A Trustee seeking reimbursement of expenses pursuant to this Subsection (a) shall provide documentation of such expenses satisfactory to the Executive Director.

(b) (i) Except as provided in Subsection (c), a Trustee shall be entitled to receive per diem compensation in the amount of \$100.00 for attending a meeting of the Board or any committee of which the Trustee is a member. Any per diem compensation paid pursuant to this Subsection (b) shall be charged against the Operating fund of the Trust. A Trustee may in advance waive the entitlement to receive per diem compensation under this Subsection (b) by notifying the Executive Director in writing on or before July 1 and January 1 of each Fiscal Year.

(ii) In addition to the compensation authorized in Paragraph (1) of this Subsection (b), a Trustee shall be entitled to receive per diem compensation in the amount of \$100.00 for each day or any part thereof that the Trustee is attending to the business of the Trust at a location other than the Trustee's office or residence.

(c) In lieu of paying per diem compensation to a Trustee as provided in Subsection (b)(i), the Trustees may reimburse the Member which the Trustee represents in an amount equal to \$100.00 for each Board or committee meeting the Trustee attends. Any amount paid pursuant to this Subsection (c) shall be charged against the Operating Fund of the Trust.

Section 7. Recusal.

(a) If the local government of which a Trustee is an elected or appointed official or an employee has filed a claim with the Trust and the Trust has denied the claim, the Trustee may not vote on any motion before the Board of Trustees to affirm, reverse or modify the denial of the claim.

(b) A Trustee subject to Subsection (a) may not be present for the discussion regarding the claim if the discussion involves legal advice to the Board of Trustees.

ARTICLE IX

MEETINGS OF THE TRUSTEES

Section 1. Annual Meeting. The Trustees shall hold an annual meeting on a date selected by the Chairman in the month of October, November or December. Members shall be invited to attend the annual meeting.

Section 2. Other Meetings. The Trustees shall establish a schedule of other regular meetings for each fiscal year as they deem necessary or advisable for the administration of the Trust. Special meetings of the Trustees may be called by the Chairman, or as requested in writing by any three (3) Trustees. By unanimous consent of the Trustees, special meetings may be held without notice at any time and place, provided all Trustees execute a written waiver of notice and consent to said meeting. Informal action by telephone or otherwise may be taken by the Trustees and be as valid as though it had been authorized at a meeting of the Trustees if all of the Trustees consent in writing to such informal action.

Section 3. Notice of Meetings. The Executive Director shall give written notice of the annual meeting and other regular meetings to the Trustees, at least thirty (30) days prior to such meetings. The Trustees shall be given written notice ten (10) days in advance of any special meeting, unless otherwise provided by these Bylaws.

Section 4. Quorum. A quorum for the transaction of business at a duly called meeting shall consist of a majority of the Trustees then serving.

Section 5. Voting. Except as provided in Section 5.03 of the LGIT Agreement, all actions of the Trustees shall be by a majority vote of the Trustees present and voting at a duly called meeting at which there is a quorum. The Trustees may also act pursuant to informal action by telephone or otherwise as provided in Article IX, Section 2 hereof.

ARTICLE X

OFFICERS AND COMMITTEES

Section 1. Election of Officers.

(a) The Trustees at the time of the annual meeting shall elect a Chairman of the Board of Trustees, who shall be a Trustee, a Vice Chairman of the Board of Trustees, who shall be a Trustee, and a Secretary to the Board of Trustees, who shall be a Trustee, to serve until the next annual meeting at the pleasure of the Board of Trustees. A majority vote of a duly constituted quorum of Trustees shall be sufficient to elect officers.

(b) The Trustees may, by majority vote of a duly constituted quorum, provide for and appoint such additional officers of the Board of Trustees as they deem advisable at each annual meeting.

(c) When an office (other than Chairman of the Board) becomes vacant, the Chairman shall notify the Nominating Committee within fifteen (15) days of such vacancy. The Nominating Committee shall recommend from among the Trustees a nominee to fill the vacant office and shall submit its recommendation to the Chairman within fifteen (15) days of receiving notification from the Chairman, whereupon the Chairman shall immediately call a special meeting of the Trustees or take informal action to act on the recommendation. A majority vote of a duly constituted quorum of Trustees shall be sufficient to elect an officer to fill a vacancy. Any officer so elected shall serve until the next annual meeting.

Section 2. Assumption of Duties. Officers elected at the annual meeting shall thereupon assume their duties.

Section 3. Term of Service. An officer shall continue to serve until his successor has been duly elected.

Section 4. Powers and Duties of the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Trustees and shall have such powers and shall perform such duties or as may be authorized by resolution of the Board or as may be incident to his executive office.

Section 5. Powers and Duties of the Vice Chairman of the Board. The Vice Chairman of the Board shall have such powers and shall perform such duties as may be assigned to the Vice Chairman by the Board or the Chairman. In the absence or disability of the Chairman, the duties of that office shall be performed by the Vice Chairman, and the taking of any action by the Vice Chairman shall be conclusive evidence of the absence or disability of the Chairman. Upon the removal or resignation of the Trustee serving as Chairman, the Vice Chairman shall succeed to the office of Chairman and shall serve until his successor is elected.

Section 6. Powers and Duties of the Secretary. The Secretary shall be responsible for the preparation of the minutes of all meetings of the Trustees and shall attest to all documents and instruments requiring attestation. The Secretary shall have such other powers and perform such other duties as may be assigned to the Secretary by the Board or the Chairman.

Section 7. Nominating Committee.

(a) The Chairman shall appoint a Nominating Committee consisting of four (4) Trustees.

(b) The Nominating Committee shall submit a slate of Trustee nominees to the Board of Trustees for election by the Members. Nominations shall be made by the Nominating Committee after giving due consideration to regional balance on the Board. Such slate shall be presented to the Board ninety (90) days prior to the beginning of each Fiscal Year. The Nominating Committee shall also recommend to the Board of Trustees the nominee to fill any vacancy on the Board of Trustees.

(c) The Nominating Committee shall submit a slate of officer nominees to the Board of Trustees for election by the Board of Trustees at the annual meeting. Such slate shall be presented to the Board thirty (30) days prior to the annual meeting. The Nominating Committee shall also recommend to the Board of Trustees the nominee to fill any vacant office.

Section 8. Executive Committee.

(a) The Executive Committee shall consist of:

- (i) the Chairman of the Board of Trustees who shall be the Chairman of the Executive Committee;
- (ii) the Vice Chairman of the Board of Trustees;
- (iii) the Secretary;
- (iv) the Executive Director of MACo; and
- (v) the Executive Director of MML.

(b) The Executive Committee shall perform such duties as may be set forth in its committee charter or otherwise assigned to it by resolution of the Board consistent with Section 2.07 of the LGIT Agreement.

Section 9. Standing Committees.

(a) The Chairman shall appoint a Claims Committee consisting of at least four (4) Trustees or other individuals representing Local Governments.

(b) The Chairman shall appoint an Underwriting Committee consisting of at least four (4) Trustees or other individuals representing Local Governments.

(c) The Chairman shall appoint a Risk Management Committee consisting of at least four (4) Trustees or other individuals representing Local Governments.

(d) The Chairman shall appoint a Health Benefits Committee consisting of at least four (4) Trustees or other individuals representing Local Governments.

(e) The Chairman shall appoint a Finance/Audit Committee consisting of at least four (4) Trustees or other individuals representing Members.

(f) In addition to the Trustees appointed to the standing committees listed in Subsections (a) - (e) of this Section, the Chairman, the Trustee representing MACo and the Trustee representing MML shall serve as ex-officio voting members of each standing committee.

(g) Each standing committee listed in subsections (a) - (e) of this Section shall perform such duties as may be set forth in its committee charter or otherwise specified by resolution of the Board.

Section 10. Committee Charters. The Board shall establish and approve for the Executive Committee and for each standing committee listed in Section 9 of this Article a committee charter which specifies the duties to be performed by the committee. Unless otherwise specified in the committee charter, any duty delegated in the committee charter to a committee may be performed by the committee on behalf of the Trust without further approval or action by the Board.

Section 11. Committee Chairpersons and Vice Chairpersons.

(a) The Chairman of the Board shall appoint a chairperson of each committee who shall be a Trustee. The chairperson of the Nominating Committee may not be a Trustee whose term is to expire on the next succeeding June 30, unless that Trustee agrees in writing prior to the appointment as chairperson not to seek reelection to the Board.

(b) The Chairman of the Board shall appoint a vice chairperson of each committee who shall be a Trustee or a representative of a Member. The vice chairperson shall chair a committee in the absence of the chairperson.

Section 12. Committee Meetings.

(a) Meetings of the committees shall be called by the chairperson of each committee upon his own initiative or at the direction of the Board of Trustees.

(b) With the approval of the chairperson of the committee, a committee may meet by teleconference.

Section 13. Committee Action.

(a) Any action taken by a committee on a matter delegated by the Board to the committee either in the committee charter or by resolution shall be made pursuant to a majority vote of a duly constituted quorum of the committee.

(b) The number of committee members necessary for a duly constituted quorum shall be that number equal to a majority of those individuals duly appointed by the Chairman pursuant to either Section 9 or Section 15 of this Article.

(c) An ex-officio voting member participating in a meeting of a standing committee may be counted and included among committee members present for purposes of determining if there is a duly constituted quorum under subsection (a) and (b) of this Section.

Section 14. Formation of Committees. The Chairman shall appoint members of each standing committee within thirty (30) days of the annual meeting. Committee members, including the chairperson, shall serve at the pleasure of the Chairman of the Board.

Section 15. Additional Committees. The Board of Trustees, by a majority vote of a duly constituted quorum of Trustees, may form such additional committees as it deems necessary or advisable for the administration and benefit of the Trust. Upon such action by the Board, the Chairman shall appoint the members of such additional committee and designate the chairperson thereof within fifteen (15) days of the date of the Board resolution directing the formation of any such committee.

Section 16. Subcommittees. The chairperson of each committee may, in his sole discretion, appoint a subcommittee or subcommittees to consider and make recommendations to the full committee on matters which are delegated to the committee by the Board of Trustees. Subcommittee members need not be Trustees. The chairperson of the committee shall appoint a chairperson of each subcommittee, who shall be a Trustee or a representative of a Member. Subcommittee members, including the chairperson, shall serve at the pleasure of the chairperson of the committee.

Section 17. Recusal.

(a) If the local government of which a committee member is an elected or appointed official or an employee has filed a claim with the Trust and the Trust has denied the claim, the committee member may not vote on any motion before the committee (i) to affirm, reverse or modify the denial of the claim, or (ii) to make a recommendation to the Board of Trustees to affirm, reverse or modify the denial of the claim.

(b) A committee member subject to Subsection (a) may not be present for the discussion regarding the claim if the discussion involves legal advice to the committee.

ARTICLE XI

DUTIES OF THE TRUSTEES

Section 1. Administration of the Trust. The Trustees shall administer, manage and control the Pools and the Funds in compliance with the LGIT Agreement.

Section 2. Duties of Trustees. In connection with such administration, management and control, the Trustees shall have the power:

(a) To make provision for proper accounting and reporting procedures for each of the Members so that the Members shall be informed at all times of the nature of the claims arising within their jurisdiction, the manner in which these claims are being handled, and the impact of all claims upon the Pools in which each Member is a member.

(b) To purchase an employee fidelity bond covering the Trustees, the Executive Director and such other Trust officials, employees and agents as the Trustees may determine.

(c) To assess Members of a Pool in the event that any claim or claims exceed the money available in the Pool and any excess insurance, each assessment to be in an amount and in the manner as determined by the Trustees and pursuant to the LGIT Agreement. The Trustees shall certify to the Members that such assessments are necessary for the purpose of alleviating a deficit.

(d) To hold all property received by the Trustees, which together with the income and gains therefrom and additions thereto, shall constitute the Pools and the Funds. The Trustees shall manage, invest and reinvest the moneys of the Pools and the Funds, collect the income thereof and make payments therefrom or delegate such duties as provided in the LGIT Agreement.

(e) To employ an Executive Director who shall act at the direction of the Trustees to implement decisions of the Trustees as to operation and supervision of the Trust. The duties and responsibilities of the Executive Director shall be determined by the Trustees.

(f) To engage a Benefits Consultant to advise the Trustees on underwriting and rate-setting matters, plan administration, benefits, cost containment and managed care for the Health Benefits Pool. The services of the Benefits Consultant shall be performed pursuant to a written agreement between the Benefits Consultant and the Trust and the Benefits Consultant shall be compensated from the Operating Fund of the Trust for such services.

(g) To engage a Consulting Underwriter to assist the Trustees in underwriting matters, the establishment of rates, risk management and loss control matters and such other advice as the Trustees may from time to time deem appropriate (except for the Health Benefits Pool, which services shall be provided by the Benefits Consultant). The services of the Consulting Underwriter shall be performed pursuant to a written agreement between the Consulting Underwriter and the Trust and the Consulting Underwriter shall be compensated from the Operating Fund of the Trust for such services.

(h) To engage a Financial Advisor to assist the Trustees in financial matters, including capitalization of the Trust, investment policy and such other advice as the Trustees may from time to time deem appropriate. The services of the Financial Advisor shall be performed pursuant to a written agreement between the Financial Advisor and the Trust and the Financial Advisor shall be compensated from the Operating Fund of the Trust for such services.

(i) To engage an Accountant to assist the Executive Director in performing such accounting procedures as may be necessary to assure that the moneys held by the Trust are properly accounted for in accordance with the LGIT Agreement.

(j) To engage general counsel to advise and represent the Trustees on legal matters relating to the operation and administration of the Trust.

(k) To reinsure or otherwise fund for all or a portion of the risk assumed by the Trust if such reinsurance or funding is available on reasonable terms, such determination of availability to be made in the discretion of the Trustees.

(l) To set requirements for the admission of Members to the Pools, which requirements shall include such limitations as the Trustees deem appropriate to promote the safe and proper operation of the Pools.

(m) To endeavor to see that the Pools are safely and prudently administered so as to insure their financial stability and to invest moneys of the Funds at the best interest rates obtainable (as limited by applicable State and federal law) for the benefit of the Pools.

(n) To engage an Auditor to conduct an annual audit of the financial statements of the Pools at the close of the Fiscal Year of the Trust, such audit report to be submitted to the Members no more than six (6) months after the close of the Fiscal Year of the Trust.

(o) To engage a Banking Institution to hold the moneys of the Pools and the Funds and to invest and reinvest at the direction of the Executive Director all or part of the principal and interest of the Funds of the Trust in accordance with the requirements of the LGIT Agreement.

(p) To engage professional services as necessary for the settlement of claims. This function may be delegated to the Risk Management Committee or other committee in accordance with guidelines established by the Board.

(q) To engage a Consulting Actuary to review, at least annually, the fees and surplus requirements of the Pools.

(r) At least annually, to review, study, consider and determine the actual claims payments of each of the Members, the pro rata savings to the Pools resulting from overall loss experience attributed to each of the Members, the pro rata portion of any investment earnings of the Pools attributed to each Member, and the pro rata allocation of the other and necessary administrative expenses of the Pools in order to determine the actual pro rata costs, expenses and loss experience of each Member so as to maintain as nearly as possible an equitable and reasonable administration of the Pools as applied to each Member.

(s) To authorize any Loans as provided for in Section 6.04 of the LGIT Agreement.

(t) To perform the duties and powers delegated to the Trustees by the LGIT Agreement.

(u) To perform any other function incident to the office of Trustee.

ARTICLE XII

EXECUTIVE DIRECTOR

Section 1. Employment of Executive Director. The Trustees shall employ an Executive Director to conduct the day-to-day operations of the Trust. The Executive Director shall have authority to implement the policies and procedures established by the Trustees. Except as permitted by the Trustees neither the Executive Director nor any member of the Executive Director's immediate family shall be employed by or have a financial interest in any private, for-profit firm providing services to the Trust.

Section 2. Duties of Executive Director. The Executive Director shall perform the following functions for the Trust:

(a) Give or cause to be given notice of all meetings of the Trustees and all other notices required by law or by these Bylaws, prepare an agenda and all necessary background material for all meetings of the Trustees, attend such meetings and draft minutes thereof and act as custodian of all minutes, books, reports, files and records of the Trust.

- (b) Review Applications and make recommendations to the Trustees regarding participation by an applicant.
- (c) Prepare and distribute materials, answer inquiries, make site visits and otherwise act to target and provide information to Local Governments.
- (d) Act as a liaison with the Members to provide information and consultation on matters relating to coverages, Fees and other business matters of the Pools.
- (e) Coordinate workshops for the Members.
- (f) Oversee and direct the activities of all independent contractors engaged by the Trust except the Auditor and the general counsel who shall be responsible directly to the Board of Trustees.
- (g) Employ such professional and administrative staff as may be approved in the budget and necessary to conduct the daily operations of the Trust.
- (h) Prepare or cause to be prepared calculations of proposed distributions of surplus.
- (i) Prepare or cause to be prepared proposed annual Fee calculations for each Pool, and upon approval by the Trustees, submit bills for Fees to all Members.
- (j) Evaluate recommendations of any insurance broker employed by the Trust and submit such evaluations to the Trustees for approval.
- (k) Work with the Financial Advisor and provide the Financial Advisor with information and statistical data as needed.
- (l) Review all financial transactions of the Trust to determine that all moneys are being handled in a proper manner for the benefit of the Pools in accordance with the LGIT Agreement.
- (m) Otherwise conduct the day to day activities, including clerical operations, of the Trust and perform such other functions as the Trustees may from time to time request.

Section 3. Supervision of Personnel. The Executive Director shall supervise all employees of the Trust and shall be responsible for making and implementing all personnel decisions consistent with any personnel regulations adopted by the Board. The Executive Director shall notify the Chairman prior to the employment or dismissal of any individual.

Section 4. Contracts.

- (a) Except as otherwise provided by a resolution of the Board, the Executive Director may negotiate and accept any contract on behalf of the Trustees if the amount of such contract is less than \$10,000 and within the approved budget.
- (b) Except as otherwise provided by a resolution of the Board, the Executive Director shall sign and execute in the name of the Trust all authorized contracts, agreements, obligations or other documents necessary or appropriate for the proper administration and operations of the Trust.

ARTICLE XIII

FUNDS OF THE TRUST

Section 1. Banking Institution. The Trustees shall contract with a Banking Institution.

Section 2. Receipt of Fees. The Executive Director shall receive Fee remitted by the members and shall apply such moneys in accordance with the LGIT Agreements.

Section 3. Funds. The Moneys received by the Trust shall be deposited in an account established by the Trustees with the Banking Institution and shall be invested and reinvested in investments permitted by applicable law as directed by the Executive Director in accordance with the investment policy established by the Board.

Section 4. Checking Accounts. The Trustees shall establish one (1) or more checking accounts for the purpose of paying the claims and expenses of the Pools and the operating expenses of the Trust. The Board shall adopt appropriate banking resolutions authorizing appropriate officers, employees or agents of the Trust to draw upon such checking accounts to pay the claims and expenses of the Pools and the operating expenses of the Trust.

Section 5. Generally Accepted Accounting Principles. The Executive Director shall assure that all Funds of the Trust and any accounts thereunder shall be established and maintained in accordance with generally accepted accounting principles and any other applicable State or federal regulations.

ARTICLE XIV

DISTRIBUTION OF SURPLUS

Section 1. Formula. Any distribution of surplus funds made pursuant to Sections 8.03(b) of the LGIT Agreement shall be by a formula approved by the Trustees with the advice of the Consulting Actuary and such formula shall be adopted by a resolution of the Board of Trustees.

ARTICLE XV

AUDITOR

Section 1. Selection of Auditor. The Auditor of the Trust shall be selected in the sole discretion of the Trustees.

Section 2. Duties of Auditor. The Auditor shall prepare audited financial statements of the operations of the Trust for each Fiscal Year and shall submit a copy of such audited statements, together with a letter setting forth the Auditor's recommendations relating to the management of the Trust, directly to the Trustees at least fifteen days prior to the annual meeting.

ARTICLE XVI

COVERAGES

Section 1. Determination by Trustees. The coverages provided under the Pools shall be determined by the Trustees and set forth in the Scopes of Coverage, which may be amended from time to time.

Section 2. Scopes of Coverage. Each Member shall receive a Scope of Coverage for every Pool in which it is a member.

ARTICLE XVII

AMENDMENTS TO BYLAWS

Section 1. Method of Amendment. Provided that the substance of any proposed amendment shall have been stated in the notice of a duly called meeting, the Trustees, by the affirmative vote of a majority of Trustees constituting a quorum, may at such meeting amend or alter any of these Bylaws.

Section 2. Compliance with LGIT Agreement. No amendment or alteration of these Bylaws shall be adopted which is inconsistent or in conflict with any term or provision of the LGIT Agreement.

ARTICLE XVIII

AMENDMENTS TO LGIT AGREEMENT

Section 1. Amendments by Trustees. Provided that the substance of any proposed amendment shall have been stated in the notice of a duly called meeting, the Trustees, by a two-thirds (2/3) vote of all Trustees, may at such meeting amend the LGIT Agreement in accordance with Article XI, Section 11.01 thereof.

Section 2. Amendments To Be Approved by Members.

(a) Provided that the substance of any proposed amendment shall have been stated in the notice of a duly called meeting, the Trustees, by a two-thirds (2/3) vote of all Trustees, may at such meeting amend the LGIT Agreement pursuant to Article XI, Section 11.02 thereof, which amendment shall be submitted to the Members for their consent and approval.

(b) Such amendment shall be submitted by mail to all Members, and upon receipt of written approval by two-thirds (2/3) of the Members, the amendment shall be effective.

ARTICLE XIX

MISCELLANEOUS

Section 1. Communications.

(a) Except as provided in paragraph (b), all communications from and with the various independent contractors and agents engaged by the Trust shall be by and through the Executive Director.

(b) As necessary or advisable for the administration and benefit of the Trust, communications with general counsel and the Auditor may be by and through the Chairman, provided that the Executive Director shall receive, on a timely basis, a copy of any written communication from or to general counsel or the Auditor, and further, shall be advised, on a timely

basis, of any legal advice of general counsel relating to the administration or operation of the Trust or any recommendations of the Auditor relating to the management of the Trust.

Section 2. Conflict of Interest.

Conflicts of Interest. The governance and operation of the Trust shall embrace a philosophy that all business dealings reflect the highest ethical standards and irreproachable personal integrity. On any matter before the Board of Trustees or any committee of the Trust, all Trustees and committee members are obligated to disclose any known conflict of interest prior to discussion of any matter so affected. Such Trustee or committee member should abstain from voting if such Trustee or committee member or the Executive Committee deems a conflict of interest exists. These obligations of disclosure and recusal are in addition to the obligation of Trustees specified in Article VIII, Section 7 and the obligation of committee members specified in Article X, Section 17 of these Bylaws.

The Board of Trustees may adopt policies, procedures and disclosure forms to ensure compliance with the spirit and intent of this provision.

LOCAL GOVERNMENT INSURANCE TRUST

BYLAWS

ADOPTED BY THE BOARD OF TRUSTEES: JULY 1987

ADOPTED LATEST REVISION: MAY 16, 2006

LOCAL GOVERNMENT INSURANCE TRUST

BYLAWS

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